

CALIFORNIA ENERGY COMMISSION

1516 Ninth Street
Sacramento, California 95814

WEBSITES

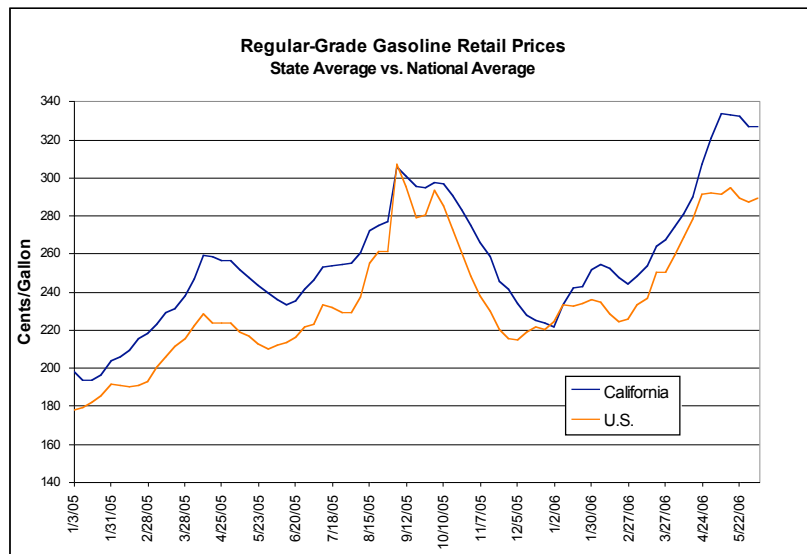
Main website: www.energy.ca.gov

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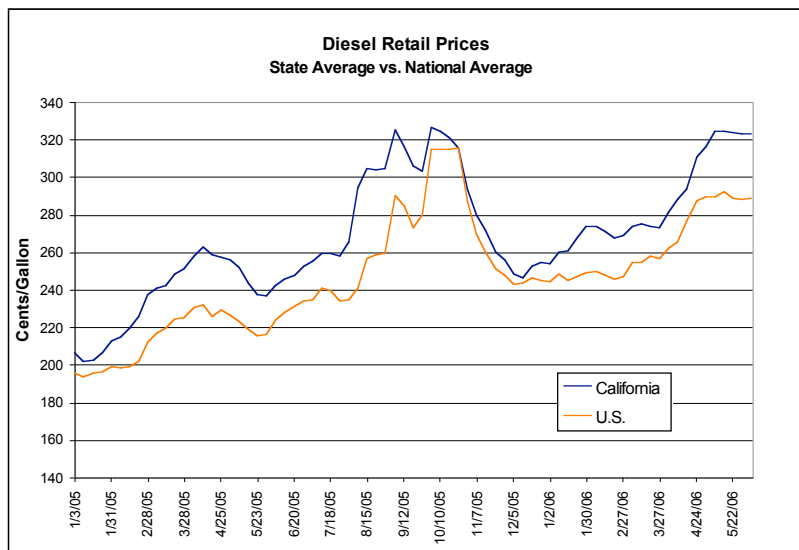
Consumer Information: www.ConsumerEnergyCenter.org

**Petroleum Watch****June 9, 2006*****Retail Gasoline and Diesel Prices on June 5***

- The average statewide **retail price for regular-grade gasoline** was unchanged from last week at \$3.27 per gallon, still only 6 cents less than the record high of \$3.33 on May 8.¹
- A small increase in national prices narrowed the difference between California and U.S. retail gasoline prices to 38 cents per gallon but this remains well above the average of 19 cents for January through May.



- The average California **retail diesel price** was also unchanged from the previous week at \$3.23 per gallon. The difference between California and U.S. retail diesel prices fell 1 cent to 34 cents per gallon.

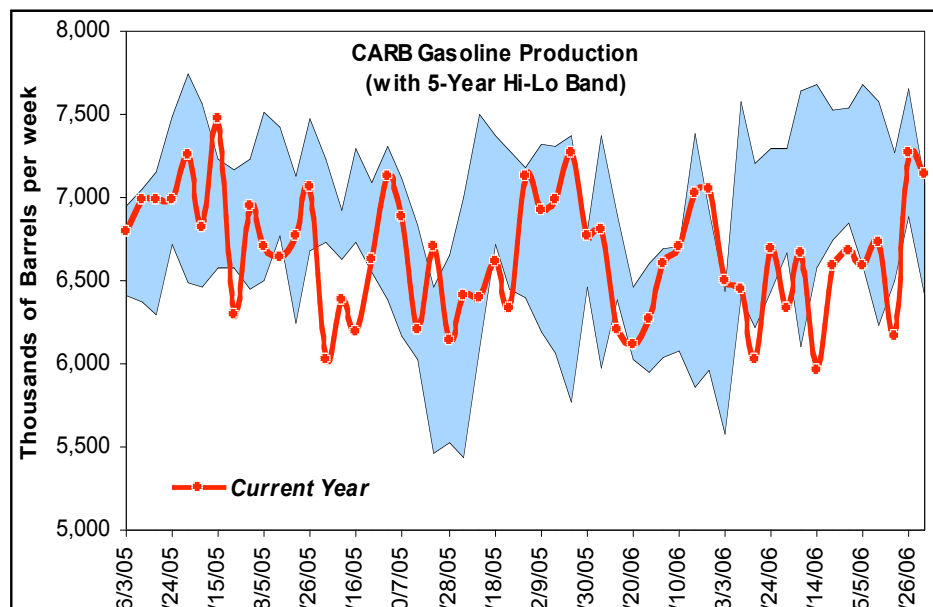


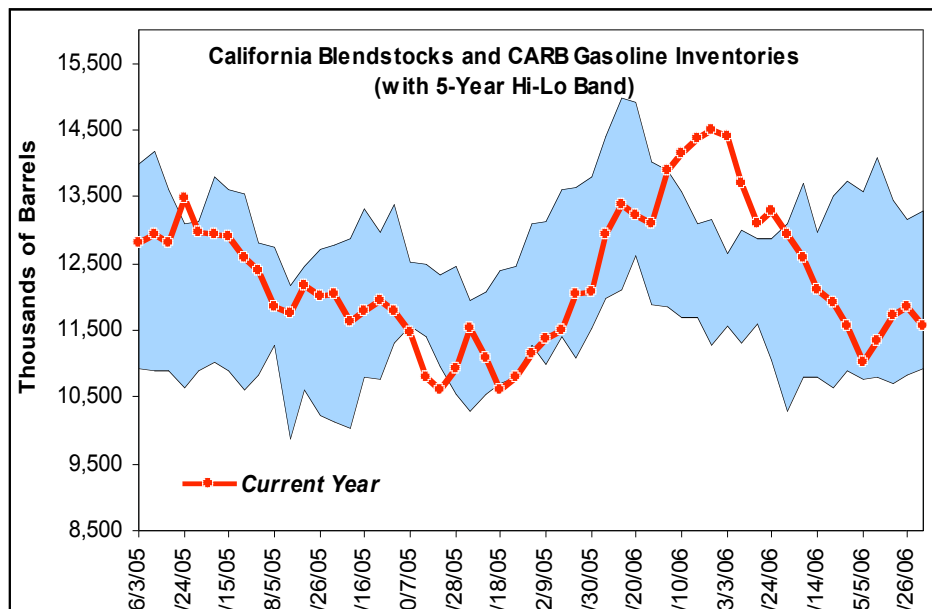
Wholesale Gasoline and Diesel Prices on June 6

- California spot **wholesale gasoline prices** for regular-grade reformulated blendstock for oxygenate blending (RBOB) ranged between \$2.42 and \$2.49 per gallon during the last week, before ending back at \$2.44 per gallon. Prices are currently 53 cents lower than the record high of \$2.97 on May 2 but are still 88 cents more than the 2006 low of \$1.56 on February 14.
- Relatively flat crude oil prices and strong state gasoline production have kept California spot prices about the same as last week, despite increased spot gasoline prices elsewhere in the United States.
- The difference between spot prices in California and elsewhere in the United States has declined, with prices for RBOB 8 cents per gallon higher in Los Angeles than at both the Gulf Coast and New York Harbor.
- California spot **wholesale low-sulfur diesel prices** also stayed within a narrow range during the last week, before settling at \$2.35. Prices are now 33 cents lower than the record high of \$2.68 on May 3.
- The difference between California wholesale low-sulfur diesel prices and Gulf Coast prices dropped sharply to just 10 cents more in Los Angeles, compared to 20 cents more on May 31.
- Although vacillating considerably during the latest week, the difference between California gasoline and diesel spot prices ended about the same as on May 30.
- The Energy Information Administration (EIA) weekly assessment for June 2 reports that **U.S. gasoline demand** fell 0.7 percent from the previous week, while distillate demand dropped 3 percent. The four-week average demand for gasoline is 9.329 million barrels per day, 0.8 percent less than last year. The four-week average for U.S. distillate demand is 4.056 million barrels per day, 1.3 percent lower than last year.

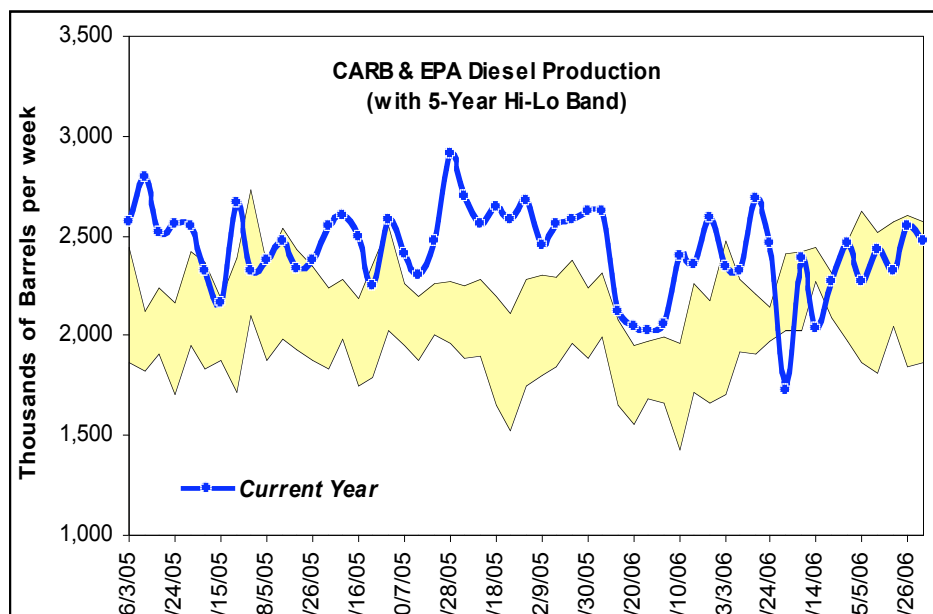
Refinery Production and Inventories

- Reformulated **gasoline production** in California during the week ending June 2 dropped to 7.14 million barrels, 1.8 percent less than the previous week but 5 percent more than last year. Refineries have been operating relatively trouble-free after returning from the maintenance season and output, though lower than last week, is otherwise at the highest levels since last December.²
- With production down, California reformulated **gasoline inventories** fell 5.5 percent from the previous week, while gasoline blendstock inventories dropped by 0.3 percent. As a result, **combined inventories** of reformulated gasoline and gasoline blendstocks in the state **declined 2.4 percent** to 11.57 million barrels and have fallen toward the lower end of the five-year range.
- U.S. gasoline inventories grew for the sixth straight week to 210.3 million barrels on June 2. This was 1 million barrels more than the previous week, due to lower demand and import levels that remain high.

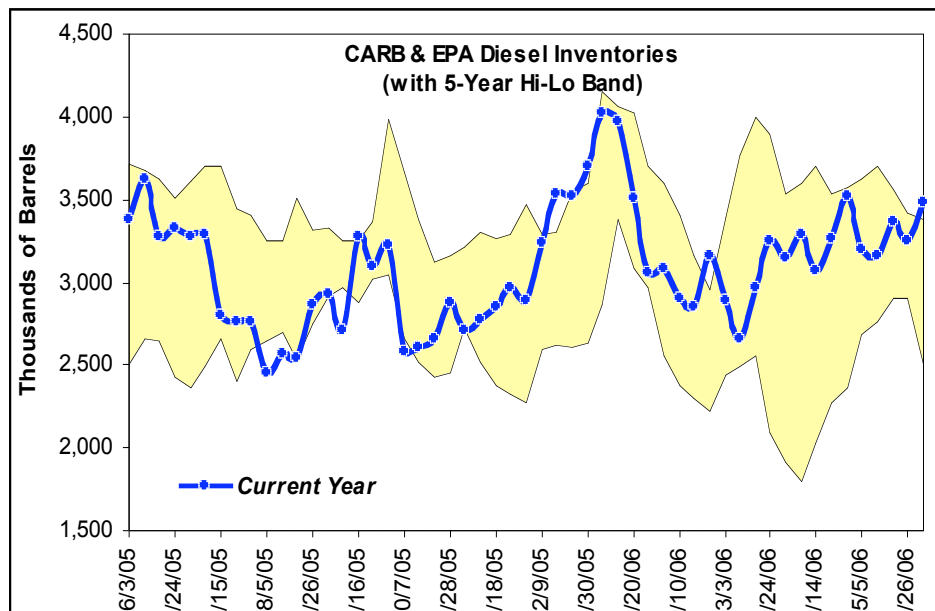




- California low-sulfur **diesel production** during the week of June 2, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, fell 2.7 percent from the previous week to 2.48 million barrels but output remains at the upper end of the five-year range.

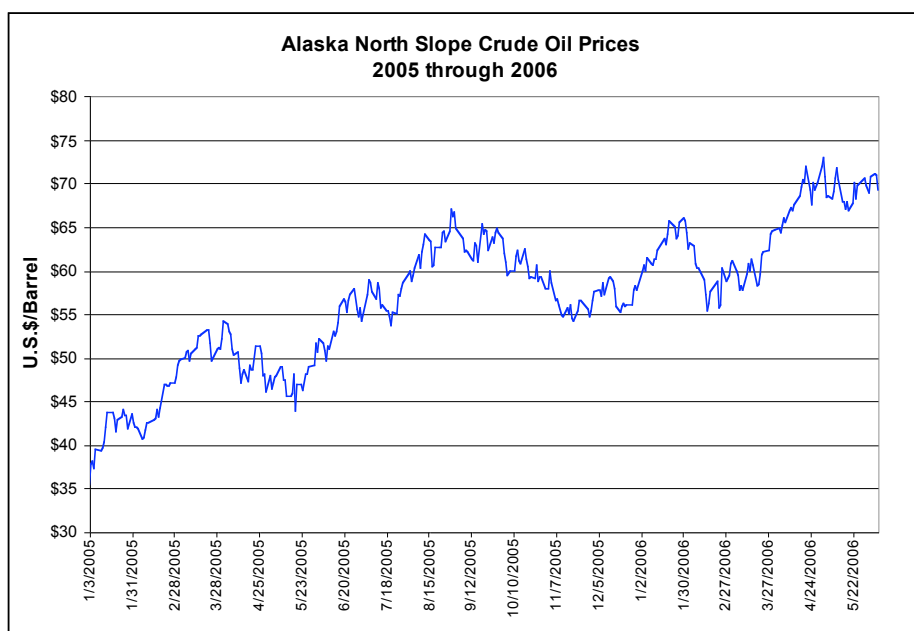


- Combined low-sulfur **diesel inventories** in California grew by 7 percent from the previous week to 3.48 million barrels and are at the upper end of the five-year range. Total U.S. distillate inventories as of June 2 increased to 120.7 million barrels, 1.8 million barrels higher than the previous week and 12.9 million barrels more than last year.



Crude Oil Prices and Inventories

- West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, fluctuated around \$70 per barrel during the latest week. Several things influenced these fluctuations. U.S. crude oil inventories grew, OPEC announced at its recent meeting that it will not cut production, and Venezuelan production has reportedly increased. At the same time, in separate incidents, oil workers on an offshore rig and at a gas plant in Nigeria were kidnapped. Saudi Arabia seems to be quietly cutting back on production and the EIA issued a warning about potential supply disruptions in the Gulf of Mexico during the coming hurricane season. Ayatollah Khamenei also warned about oil shipping disruptions in the Persian Gulf if the United States and European countries tried to punish Iran for its nuclear ambitions. However, a proposal by western countries to provide incentives to curb its nuclear program was relatively well-received by Iran. ANS oil prices ended this week slightly lower at \$69.32 per barrel as of June 7.³



- U.S. commercial crude oil inventories grew with higher imports and lower crude oil inputs to refineries. Stocks were at 346.6 million barrels as of June 2, 1.1 million barrels more than the previous week, 15.9 million higher than last year, and 32.4 million more than the five-year average.
- Offshore crude oil production in the Gulf Coast has slowly returned in recent months but a substantial amount remains off-line. In its report on hurricane outages on June 1, the Minerals Management Service indicated that more than 15 percent of U.S. Gulf of Mexico offshore oil production, or 227,888 barrels per day, was still shut down from last year's hurricanes. More than 162 million barrels of crude oil production had cumulatively been lost to these hurricanes since late August, almost 30 percent of annual Gulf of Mexico offshore oil production.

¹ Spot wholesale and retail gasoline and diesel prices are from the Energy Information Administration of the U.S. Department of Energy (EIA).

² California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

³ ANS crude oil prices are from *The Wall Street Journal*. U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.